



Section 236 Preservation Term Sheet

Purpose	MSHDA is offering tax-exempt preservation lending to extend the affordability, viability and livability of existing Section 236 developments for a minimum of 35 years.
Part A Loan	Based on the projected rental income, less vacancy loss, operating expenses, reserves, and escrows.
Part B Loan	May be established based on the debt supported by the continuing stream of income from the decoupled Interest Reduction Payments contract for the term of the remaining contract.
Eligible Borrowers	Non-profit housing corporations and limited dividend entities eligible under the Authority's Act.
Eligible Developments	Any non-preserved Section 236 development in Michigan is eligible to apply for a tax-exempt loan from MSHDA.
Preservation Fund	A subordinate Preservation Fund loan may be available at 3% simple interest amortized over 50 years to assure physical needs of the property are met. Payment may be deferred for up to 12 years if deferred developer fee exists. Annual payments made from available cash flow, with unpaid balance, including accrued interest becoming the new first after the first mortgage balance is paid.
Income Restrictions	Rent levels will be targeted to be affordable to 45% of the AMI or the level of income currently served by the development.
Tax-exempt Rate	Visit our website, www.michigan.gov/mshda for current rate
Special Rate	Up to 1/2% of the interest rate may be deferred if at least 15% of the units will be affordable to a targeted special need population with services provided in accordance with a MSHDA approved Addendum III Supportive Services plan.
Affordability Requirement	Affordability restrictions must extend for the 35 years or 50 years if a Preservation Fund loan is provided.
Amortization	35 years
Minimum Rehab	At least \$5,000 in rehab/unit and 15% of acquisition cost required, with emphasis on improvements of benefiting residents (Preservation Capital Needs Assessment required).
Debt Coverage Ratio	Part A 1.10 minimum, Part B 1.0
Loan Guarantee	Non-recourse
Prepayment Provision	15 year prepayment prohibition
Replacement Reserve	Minimum of \$300 per unit budgeted for the first year following refinancing and capitalization of the greater of \$700 per unit or an amount determined by the CNA.
Michigan Green Communities Grant	Grant of \$1,000 per affordable unit, up to a maximum of \$50,000 available from MSHDA for developments meeting the Michigan Green Communities criteria. Enterprise Foundation matching funds and \$3,000 grant for administrative reporting also available.
Environmental Reviews	Phase I Environmental Site Assessment required
Origination and Other Fees	2% of mortgage loan amount. LIHTC application, commitment and compliance fees apply.
Application Fee	\$500 for current MSHDA financed developments and \$1000 for non-MSHDA

For More Information Contact:

Michigan State Housing Development Authority
735 East Michigan Avenue
Lansing, Michigan 48912

Phone: (517) 373-6880 Fax: (517) 335-6565 TTY: (800) 382-4568